

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION**

#### **JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES**

**Call to Order:** By **CHAIRMAN EDITH CLARK**, on February 6, 2003 at 8:04 A.M., in Room 472 Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Edith Clark, Chairman (R)  
Sen. John Cobb, Vice Chairman (R)  
Rep. Dick Haines (R)  
Rep. Joey Jayne (D)  
Sen. Bob Keenan (R)  
Sen. Emily Stonington (D)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Robert V. Andersen, OBPP  
Pat Gervais, Legislative Branch  
Lois Steinbeck, Legislative Branch  
Sydney Taber, Committee Secretary

**Please Note.** These are summary minutes. Testimony and discussion are paraphrased and condensed. The time stamp refers to material below it.

**Committee Business Summary:**

Hearing & Date Posted: Human and Community Services  
Division Overview  
Executive Action: Child and Family Services Division

**{Tape: 1; Side: A; Approx. Time Counter: 0.6 - 5.2}**

**Pat Gervais, Legislative Fiscal Division (LFD)**, distributed a comparison of the Executive Budget and revised Executive Budget decision package for refinancing savings and explained that in the revised decision package (DP) 28 there is a savings of \$2.7 million, and in DP 26 there is a savings of \$310,000 for fiscal 2004. DP 26 also includes additional costs of \$120,000 for staff needed to complete IV-E eligibility determination. This shows a net savings for FY04 of \$2.9 million. In FY05, there is a savings in DP 28 of \$2.7 million and in DP 26 of \$618,000. DP 26 has additional costs of \$160,000 for a net savings of \$3.1 million. The Executive Budget as revised for the two DPs included a net savings of \$6,060,928.

**EXHIBIT (jhh26a01)**

**Ms. Gervais** then distributed another spreadsheet comparing the foster care and subsidized adoption base and the revised request. She said that this decision package includes funding shifts as well as caseload adjustments and explained that in the foster care base budget 40.7 percent of the funding of the \$17.3 million was general fund. In the proposal for the 2004/2005 biennium, foster care general fund support in FY04 rises to 43.6 percent of the total, and in FY05 it is 43.8 percent of the total. The caseload estimate is funded without the Title XX funds and changes are incorporated for the change in federal medical assistance participation (FMAP) rate in the projection. Additionally, the DP shows a net federal funds decrease, which is arrived at by increasing the federal IV-E funds and decreasing the Title XX funds that will no longer be available. There is \$1.355 million that will no longer be available since there is no longer funding from the Temporary Assistance to Needy Families (TANF) grant to transfer to Title XX this biennium. The subsidized adoption budget has remained constant. The funding level remains at 47.6 percent general fund throughout the 2005 biennium.

**EXHIBIT (jhh26a02)**

**{Tape: 1; Side: A; Approx. Time Counter: 5.4 - 17.1}**

In response to a question from **SEN. KEENAN** regarding subsidized adoption and the possibility of means testing, **Ms. Gervais** said that it is the child being adopted who must be eligible for Title IV-E, and that federal law prohibits means or resource testing of the family adopting the child to determine the amount of the subsidy.

**Ms. Gervais** distributed another handout, which replaces the revised table reflecting caseload estimate in the Budget Analysis

and the graphs having to do with subsidized adoption and foster care costs and clients. She also distributed a handout which gives statistical and monetary information from oral testimony on February 5 and another with information on additional staff that would be necessary to address workload included in the performance audit completed by Legislative Audit Division (LAD).

**EXHIBIT (jhh26a03)**

**EXHIBIT (jhh26a04)**

**EXHIBIT (jhh26a05)**

**{Tape: 1; Side: A; Approx. Time Counter: 17.1 - 24.5}**

Responding to Subcommittee questions regarding the information in Exhibit 5, **Ms. Brown** said that it includes staff in the field, contact monitoring, and staff for recruitment and training. She said that the Division has historically been understaffed and is lagging behind because of that perennial staffing shortage.

#### **EXECUTIVE ACTION ON CHILD AND FAMILY SERVICES DIVISION**

##### **Present Law Adjustments**

**{Tape: 1; Side: A; Approx. Time Counter: 24.5 - 28.9}**

**Motion:** SEN. COBB moved TO ADOPT DO 16, CONVERT MODIFIED FTE TO PERMANENT.

**Discussion:** Responding to Subcommittee questions regarding the DP, **Ms. Gervais** said that the DP did not change. It increases general fund \$218,150 and the federal funds are \$117,465 for a total funding increase of \$335,615 each year of the biennium.

**{Tape: 1; Side: A; Approx. Time Counter: 26.6 - 26.9}**

**Vote:** Motion failed 3-3 with SEN. COBB, REP. JAYNE, and SEN. STONINGTON voting aye on a voice vote.

**{Tape: 1; Side: A; Approx. Time Counter: 26.9 - 49.5}**

The Subcommittee proceeded to have a lengthy discussion on the various philosophies represented on the Subcommittee and the direction that this Subcommittee is headed. **SEN. KEENAN** stated that this is not a normal session, and he is looking at the big picture and HB 2. There has been a \$160 million general fund reduction, and while the legislature has put back some of that money, it must still come up with \$85 million. That \$85 million matches up pretty well with the \$93 million hole in the budget, and there is a \$32 million ending fund balance, which is not quite adequate. They need to come up with revenue, whether it is through one-time money, tax increases or some of the bills that are out there. **REP. JAYNE** expressed the belief that as a member of the Subcommittee on Health and Human Services, she felt it her

duty to advocate for the Department in appropriations and in the House. This is the subcommittee that knows the need and the issues; if it does not take a stand for the Department, no one else will. She said that the DPs are about providing services to people, and she will vote on the merits of the issue versus the big picture. **SEN. KEENAN** said he was willing to defer on the DPs. **SEN. COBB** observed that if they make all the cuts here, the legislature will say that there is no need for new revenue; the cuts will have been made, the budget balanced, and no new revenue sources will have been created. With regard to the last vote, **SEN. STONINGTON** said that the DP was tied to in-home services, and they would save money in the long run to do this conversion to state employee rather than contract employee. There was continued discussion on these philosophical differences.

**{Tape: 1; Side: B; Approx. Time Counter: 0.3 - 5.4}**

**SEN. KEENAN** suggested that they vote the remaining present law adjustment DPs and the new proposal DPs on B-55 and B-56 of the Budget Analysis.

**Motion:** **SEN. KEENAN** moved **TO ADOPT DP 16, 17, 18, 25, 26, 27, 28, 271, 272, 273, 274, 275, 276, and 281.**

**Discussion:** **Ms. Gervais** asked the Subcommittee to clarify the motion that they are moving the DPs as on the Department handout (Exhibit 6) showing a net decrease of \$1.866 million and \$1.6550 million, with the understanding that DP 275 will include the elimination of federal Title XX Social Services Block Grant (SSBG) funds of \$1.355 million and an increase in Title IV-E funds of \$678,000 for a net change. The Title XX, SSBG funds, will be eliminated over the next biennium. In continued discussion, **REP. JAYNE** commented that she is not comfortable with decreasing the funding in DPs 273 and 274. **SEN. COBB** explained that DP 273 would take money out of daycare, but two weeks ago, the Subcommittee took the money from the Labor Employment Security Act (ESA) fund to make up the difference; they moved it to Vocational Rehabilitation and then into daycare. He suggested segregating those DPs that people were uncomfortable with in the motion package. He added that he would vote to take it out today and then try to get it back in later.

**EXHIBIT (jhh26a06)**

**{Tape: 1; Side: B; Approx. Time Counter: 9.6 - 10.4}**

**Motion:** **REP. JAYNE** moved **TO SEGREGATE DP 274 FROM THE MOTION PACKAGE.**

**{Tape: 1; Side: B; Approx. Time Counter: 10.4 - 15.6}**

It was agreed that it was not necessary to make a motion, but that segregating the decision package was sufficient. There was discussion on the issue of voting no on one DP and the effect it may have on other DPs when doing a motion including several DPs.

**REP. HAINES** observed that it looked as if they would accomplish little until they know what the sources of revenue will be. **SEN.**

**STONINGTON** explained that they are trying to work on the Executive Budget as best they can given that they do not know the revenue sources, and there is a philosophical difference in the Subcommittee. Half says that the responsible thing is to do the cuts because that is where the base budget is, and the other half does not want to make the cuts, but wants to put money in the budget because it believes that these are needed services and wants to find revenue. Some of the DPs take money out because of the tie vote and some put money in because of the tie vote. **REP.**

**HAINES** replied that the assessment may be correct for five people, but not necessarily for all six. He said that he is okay to go along with the motion, but if they were to vote on them one at a time, there might be a four to two vote or six to zero; they would not all be three to three. **SEN. STONINGTON** apologized for any assumption she may have made.

**{Tape: 1; Side: B; Approx. Time Counter: 15.6 - 20.1}**

Continuing the discussion, **SEN. KEENAN** said that he wants the Subcommittee to continue beyond transmittal because he wants them to stay on top of the situation. He wants it to be the Subcommittee, not the free conference committee, that will make the decisions on putting the money back into the budget. **REP.**

**HAINES** stated that if they could count on this, he would support this motion instantly. **SEN. KEENAN** replied that this is his intention, but that they need to find revenue. There are things that are distasteful to everyone, but they will fund the services somehow. He added that if one side or the others gets stubborn and refuses to compromise, there will be a problem. He said that he recognizes the fact that there are philosophical and ideological differences that need to be discussed and continued that he was offended by those who testified against coal tax trust transfers, and then came before the Subcommittee and talked about the needs that they have for their constituencies.

**{Tape: 1; Side: B; Approx. Time Counter: 20.1 - 22.3}**

Responding to **SEN. KEENAN's** position, **REP. JAYNE** said that they are going to do HB 2, and she wants to defend the Department because she believes in it. It is this Subcommittee that has been through the hearings and knows the issues in more detail than others on the appropriations committee, and she wants other agencies and committees to know that the Subcommittee is in strong support of the Department. The Department needs an

indication that the Subcommittee is behind it, even though there may be some differences on how they get there.

**{Tape: 1; Side: B; Approx. Time Counter: 22.3 - 24.8}**

**REP. HAINES** said that he agrees with **SEN. KEENAN** and is concerned that the budget will end up in a train wreck. He questioned the Department's assertion that it is more cost and service effective to hire employees rather than contracting services out, and he asked them to give a more concrete defense of their position on this, including the total cost factors involved. He does not want to increase the size of state government.

**{Tape: 1; Side: B; Approx. Time Counter: 24.8 - 29.7}**

**SEN. KEENAN** said that at this stage of the process everyone understands the priorities, but it is just a different perception. His concern remains that they are building the budget without the money to support it. He fears that in the end, the free conference committee will make the cuts, and he does not want to see that. The Subcommittee wants to fund the programs beyond the ability of the State to pay, and to put themselves in a hole financially with empty program support is irresponsible. When revenue is identified, the Subcommittee can then do the right thing.

**{Tape: 1; Side: B; Approx. Time Counter: 29.7 - 32.1}**

**SEN. STONINGTON** said that she recognizes the delicate balance between advocating and getting too far beyond budgetary capability; they run the risk of the free conference committee making cuts across the board. She added that the need must be felt by the body as a whole for there to be the momentum to create new tax revenue, and that is their job at this point in the process. They need to say to the body as a whole that: these needs are real; they are supporting the needs because they believe in them; and they must find the revenue. As those with the most intimate knowledge of the programs, she wants to be an advocate for the Department.

**{Tape: 1; Side: B; Approx. Time Counter: 32.1 - 32.3}**

**CHAIRMAN CLARK** restated the motion to vote on the package motion minus DP 274.

**Vote:** Motion carried 6-0 on a voice vote.

**{Tape: 1; Side: B; Approx. Time Counter: 32.8 - 33.3}**

**Motion:** **REP. JAYNE** moved TO ADOPT DP 274.

**REP. JAYNE** withdrew her motion.

**{Tape: 1; Side: B; Approx. Time Counter: 33.3 - 38.9}**

**Motion/Vote:** SEN. COBB moved TO ADOPT DP 274, REMOVING \$77,641 GENERAL FUND PER YEAR FROM THE BASE BUDGET ADJUSTMENT FOR DOMESTIC VIOLENCE. Motion carried 4-2 with REP. JAYNE and SEN. STONINGTON voting no on a voice vote.

**EXECUTIVE ACTION ON MONTANA TELECOMMUNICATIONS ACCESS PROGRAM (MTAP)**

***{Tape: 1; Side: B; Approx. Time Counter: 39 - 47.1}***

Referring to Exhibit 7, MTAP projected fund balances, Ms. Gervais explained that the ending fund balance projection for 250 percent of poverty at the end of FY05 would be \$400,471, and at 200 percent of poverty the ending fund balance would be \$421,395 - a difference of about \$21,000 in the ending fund balance. In discussion, it was determined that, in the draft committee bill, the poverty rate is at 200 percent, and the Division request was to go to 250 percent of poverty.

**EXHIBIT (jhh26a07)**

***{Tape: 1; Side: B; Approx. Time Counter: 47.1 - 49.5}***

***{Tape: 2; Side: A; Approx. Time Counter: 0.2 - 2.7}***

**Motion:** SEN. STONINGTON moved TO ADOPT 200% OF THE POVERTY LEVEL IN THE DRAFT COMMITTEE BILL.

**Discussion:** SEN. STONINGTON explained that she was concerned that, even at 200 percent, they were seeing a decline in the ending fund balance, although it slows down. At this level, the Division will still be providing the relay service, and the equipment will be provided to those who really need it. REP. JAYNE asked how many people would be effected by the decrease in the poverty level to 200 percent. Ms. Gervais replied that she did not have the figures with her, but her recollection was that 100 to 200 people would then be ineligible for state purchased equipment, although they would continue to be eligible for relay services.

***{Tape: 2; Side: A; Approx. Time Counter: 2.7 - 3.1}***

**Vote:** Motion carried 4-2 with SEN. COBB and REP. JAYNE voting no on a voice vote.

***{Tape: 2; Side: A; Approx. Time Counter: 3.1 - 9.2}***

Hank Hudson, Human and Community Services Division (HCSD), distributed Division information sheets and continued where he left off on February 5.

**EXHIBIT (jhh26a08)**

**EXHIBIT (jhh26a09)**

**EXHIBIT(jhh26a10)**

**EXHIBIT(jhh26a11)**

**EXHIBIT(jhh26a12)**

**{Tape: 2; Side: A; Approx. Time Counter: 9.2 - 17.5}**

Referring to Exhibit 8, **Mr. Hudson** reviewed the TANF caseload increase, total payout of benefits, and TANF maintenance of effort (MOE). He explained that MOE is the \$14 million general fund expenditure required to receive the \$44 million TANF federal block grant. In state FY03, the Division has not met the MOE requirement because they took the pre-special session cuts out of MOE, particularly in supportive services and work contracts. The strategy was to ask for the funds back in the FY04 budget, and then they would apply those to expenditures in FY03, which would bring them back up to the required MOE in the state fiscal year. This is a decision package and an LFD issue. The Division is currently \$1.1 million short of the MOE. MOE is located in many places within the Department, but the big areas for MOE are supportive services. DPHHS works with the Department of Labor and Industries (DLI) to ensure that TANF recipients are given preference in finding work, and this is a big area of MOE expenditure. Money that is spent on childcare is one of the only places in the federal system where matching and MOE money can be counted twice. They are allowed to count the expenditures on childcare for TANF recipients in both the childcare and TANF MOE, which is \$1.3 million.

#### **LFD Issue on TANF MOE**

**{Tape: 2; Side: A; Approx. Time Counter: 17.5 - 23.5}**

**Ms. Gervais** referred to the Budget Analysis and explained that MOE is measured on a federal fiscal year basis rather than a state fiscal year basis. She stated that it is possible for the Department to manipulate expenditures between federal fiscal years, reduce expenditures in the state fiscal year, and still meet the MOE requirement without the DP included in the Executive Budget. **Mr. Hudson** said that **Ms. Gervais** is correct that it is possible to move money from the next state fiscal year into the last quarter of the federal fiscal year, but the Department has two issues with that. The process begins to dig a hole for them in the MOE approach. At some time during the course of the fiscal year, cost allocation cuts made in other parts of the Department, over which HCSD has no control, leave them without an adequate amount of MOE. It is an accounting and budgeting process with which they are not comfortable. If they were to get the appropriation, they could put it into expenditures on which they spent the TANF block grant, freeing up additional TANF block grant money for benefits. **Ms. Gervais** stated that statute does allow program transfers, so it is possible that the executive, in

a financially difficult situation, could order the Division to do this, and use the funding somewhere outside of legislative priorities. Responding to a Subcommittee question, **Mr. Hudson** said that if they received the requested appropriation they would put that money into expenditures that were already made using TANF block grant. He would use then use the TANF block grant funds to support the benefit budget.

**{Tape: 2; Side: A; Approx. Time Counter: 23.5 - 44.5}**

Continuing with his overview, **Mr. Hudson** said that they are beginning to reduce the number of middle management personnel and are moving to a regional system used by other DPHHS systems. He reviewed the budget figures for the Childhood Services Bureau and said that the reduction in the childcare budget from the 2000 base and the Executive Budget is \$9.8 million in FY04 and \$11.2 million in FY05 for a total of \$20 million. **Ms. Gervais** said that the information provided does not include any additional general fund that the Department might wish to have in the event there are increases in matching funds. The Executive Budget has increased federal matching funds without including the needed general fund match. **Mr. Hudson** responded that the federal childcare bill has not been reauthorized. The Department is exploring some matching strategies with the Office of Public Instruction (OPI) and the university system, and there are limits on how much they can count toward that match. They are going to ask for federal money in case the alternative matching strategies work out. **Ms. Gervais** said that there was \$240,000 to \$300,000 that would be allowable as match if this funding source comes through. The Subcommittee has provided \$1,353,803 in FY04 and \$1,753,837 in FY05 through the ESA and general fund swap.

**Mr. Hudson** continued that in order to decrease childcare expenditures in 2003, they did not give a provider rate increase, implemented a waiting list, and canceled some of the educational programs. These reductions allowed them to move some money forward into the next biennium so that they can have a more gradual decline in childcare expenditures.

**{Tape: 2; Side: B; Approx. Time Counter: 0.3 - 9.5}**

**Mr. Hudson** began his review of decision packages. He went over some of the measures taken to reduce staff and save money. Responding to questions regarding the cuts, **Mr. Hudson** said that eligibility will still be determined although it may take longer and there may be less face-to-face time with eligibility specialists. They targeted most of the staff cuts in middle management and administrative support, rather than in positions that work with the clients.

In continued discussion of the staff layoffs, **SEN. COBB** referred to the early retirement bills going through the legislature and said that perhaps the state should pay for health insurance for a few years. **Mr. Hudson** said that the biggest barrier for retirement is purchasing health insurance until people are Medicare eligible. If there were a way to include health insurance in the termination package, it would make it a more attractive proposition.

**{Tape: 2; Side: B; Approx. Time Counter: 9.5 - 18.6}**

Referring to DP 10, **Mr. Hudson** explained the Electronic Benefit Transfer (EBT) system funding. **Ms. Gervais** clarified that there is \$55 million of federal funds in DP 10. She explained the state accounting system for food stamps, which were a non-budgeted expenditure prior to implementation of EBT. The Department implemented the EBT system partially throughout FY02; those payments now go through the state treasury and need to be budgeted expenditures. There will appear to be a large increase in the budget, \$110 million federal funds biennially, which reflects the movement of food stamp benefits from a non-budgeted expenditure to a budgeted expenditure. This creates the impression that the Division is growing. **Bob Andersen, Office of Budget and Program Planning (OBPP)**, commented that this showed up in the budget last session, but they could not get it underway in the base year. **Mr. Hudson** added that the state is seeing a record use of this system, and it will probably hit \$60 million a year in this biennium.

**{Tape: 2; Side: B; Approx. Time Counter: 18.6 - 25.4}**

Continuing with his presentation of decision packages, **Mr. Hudson** touched on the refugee resettlement program. Moving on, he said that there is language in the budget which would authorize the Department to reduce benefits. The benefits are part of rule, but before the Department takes the step to reduce benefits, it would like to have a discussion with the legislature on this. There is a limited block grant, and if caseloads go up, there will not be enough money to keep paying the benefits to 40.5 percent of the poverty level as they are now paid. He discussed some of the reduction options they had considered: a waiting list for TANF benefits, shortening the amount of time in the program, and a family cap. These options turned out to be either not practical or inapplicable. They are struggling to stay within the \$33 million appropriation. The language will need to be addressed.

#### **LFD Issue on TANF Language**

**{Tape: 2; Side: B; Approx. Time Counter: 25.4 - 27.5}**

**Ms. Gervais** stated that the authority to reduce benefits is already statutorily delegated to the Division. They have rule making authority and payment levels are established in rule. Should the Subcommittee wish to have this discussion and have LFD staff include a summary of the discussion in the narrative with legislative thoughts on the process, staff could include the concepts of discussion and agreement reached in a narrative that goes with HB 2. However, LFD staff is concerned that if the language were included in HB 2, it would conflict with substantive law.

**{Tape: 2; Side: B; Approx. Time Counter: 27.5 - 42.8}**

**SEN. COBB** suggested that if they increased daycare and put some of the training back in, it should reduce the caseloads. Looking at the charts, he indicated that it looks like the caseloads are increasing in 2005 and the budget revenue projections are indicating that there will be a lot more revenue in 2005. **Mr. Hudson** replied that caseload is more a reflection of the economy than of childcare availability. He explained that one of the problems is that it takes 90 days to make an adjustment in the benefits, but that they do not necessarily know how the caseloads will go. For example, in January of 2003, they have already paid out more benefits than can be sustained in the next fiscal year. Most of the TANF paycheck goes to pay rent, and one of the Department fears is that a benefits reduction would precipitate homelessness.

**Ms. Gervais** observed that in the past welfare caseload was cyclical; rising in the winter and decreasing in the summer months. Recently, they have seen that trends continue to be true, the decrease in the summer is not decreasing to its lowest level. There continues to be a general upward trend. There was continued discussion of this issue.

**{Tape: 3; Side: A; Approx. Time Counter: 0.4 - 11}**

Continuing with the discussion of TANF language, **Mr. Hudson** said that the Department has received input from advisory councils and public assistance programs throughout the state, and they requested that the Division present language to the Subcommittee that would describe what would happen this biennium if the caseloads did go down and there was unspent TANF money. Basically, the advisory councils would like the legislature to endorse language that says if caseloads go down and there is unexpended TANF money, they would like \$4 million set aside as a hedge against caseloads going back up again. Beyond that \$4 million, they would like that money spent on supportive services, childcare, or other TANF related activities.

**Mr. Hudson** reviewed the proposed federal reauthorization of welfare reform. The president's proposal includes: more hours of work activities, a narrower definition of what counts as work, a larger portion of caseload to meet work participation numbers, elimination of the current waiver, and no additional childcare money. **Ms. Gervais** commented that if the changes go through, if Montana cannot meet work participation rates, it would have to raise its MOE from 75 percent to 80 percent. This would create an additional \$900,000 general fund or state special revenue (SSR) impact. Additionally, information that she received this morning does indicate that there is a provision in law which would allow states to develop and maintain reserves.

***{Tape: 3; Side: A; Approx. Time Counter: 11 - 19.3}***

**Mr. Hudson** then reviewed decision packages involved in the Childhood Services Bureau. Responding to a Subcommittee question in regard to DP 14, he said that there is a general fund reduction of \$1.6 million in FY04 and \$2.6 million in FY05 in childcare match. He reviewed the reductions in training, equipment, and rates. He then went over the development of the Child Care Under the Big Sky (CCUBS) system, which was not appropriated in the last session.

#### **LFD Issue with Regard to Development of CCUBS and EBT**

***{Tape: 3; Side: A; Approx. Time Counter: 19.3 - 30.3}***

**Ms. Gervais** explained that the LFD issue with the development of the systems had to do with the lack of legislative oversight. The Department spent \$1.7 million of federal childcare grant funds to develop the CCUBS system, and it was developed without any presentation to the legislature. Because the funding source was childcare development funds, those funds might have been used for subsidizing low-income families. Existing Information Technology (IT) statute does not require systems funded within the Department's base budget to receive legislative oversight, and they are not required to be included in the budget summary, which focuses on new proposals or new funding request. The Subcommittee may wish to request legislation to amend the statute to specify that IT projects funded within existing appropriations be subject to statutory provisions of the section and be included in the IT project budget summary. They can also choose not to take action on this issue.

**Mr. Hudson** observed that DPHHS struggles with IT upgrades because the funds in the Department are used for people issues. When HCSD spent the money, it was prior to the huge increase in caseloads. They knew they had to fix the system and had the opportunity to do it at a reasonable price, so they jumped at it. It was not done without due regard to the Department of

Administration (DOA). He added that he is grateful to have made the necessary upgrades at an amount he could afford. **Director Gray** commented that it was incredibly cost effective, and she was happy that the contractor was willing to do this at a loss. She emphasized that the DOA had input in this.

**Ms. Gervais** commented that the Department may have worked with DOA on this, but DOA is not a legislative body, and the LFD issue is with regard to legislative oversight.

**{Tape: 3; Side: A; Approx. Time Counter: 30.3 - 48.5}**

**Mr. Hudson** continued with his review of the remaining decision packages. He thanked **REP. HAINES** for carrying HB 158 and explained that there are two tribes in Montana that operate their own TANF programs. State law says that when a tribe operates its own TANF program, it will receive a share of the MOE money, along with \$100,000 in each full year of the biennium. Last year, a tribe created its own TANF program and took its share of MOE and \$100,000, but the Department did not have the appropriation for it. HB 158 says that when a tribe leaves the state program, the Department will pass on the MOE and the \$100,000 if the MOE and the \$100,000 are appropriated.

**Ms. Gervais** commented that because the Department can contract with the tribes and require them to spend the money they receive in such a manner to meet the state MOE requirement, in the last biennium, the legislature reduced the Department's MOE to federal law requirements. They funded this within their MOE and counted it as MOE.

**{Tape: 3; Side: B; Approx. Time Counter: 0.4 - 10.5}**

**Mr. Hudson** said that once a tribe has its own TANF system, the Department has no authority to tell them what kind of program to run. They may choose to run a program that is not consistent with the block grant, so the Department does not assume that they can count this towards MOE. If tribes operate their programs within the guidelines the Department must follow, the Department can count this toward MOE. There was more discussion of this issue, and **Mr. Hudson** said that he is not sure they can put any conditions on the use of the money. TANF is an area where the Department and the tribes work well together. Between 40 percent and 50 percent of TANF recipients are tribal members within the boundaries of the reservations. There was further discussion of TANF and tribes.

**{Tape: 3; Side: B; Approx. Time Counter: 10.5 - 32.5}**

Referring to Exhibit 11, **Mr. Hudson** reviewed the information on the projected TANF cash benefits and proposed reduction in the benefit and the impact of reductions on TANF recipients. He

noted that Montana indexes its benefit on the federal poverty level, which has raised the benefit in comparison to neighboring states. He reviewed the statistical comparisons with other states, and reduction scenarios based on family size and employment. He explained the method used to calculate eligibility and TANF benefits.

In more discussion of the rule process, **Mr. Hudson** said that the Department must use the rule process to make the changes, regardless of what the legislature says. If changes are made and the economy improves, they can return to the prior benefit level faster; it is the reduction of benefit process that takes longer.

**Director Gray** commented that while these changes can be made through rule, it is a significant public policy issue, and she believes that it is important to have the advice of the Subcommittee. She added further that the best thing in welfare reform was the de-coupling of Medicaid. The two major issues in getting people to work have been childcare and Medicaid.

**ADJOURNMENT**

Adjournment: 11:05 A.M.

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REP. EDITH CLARK, Chairman

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SYDNEY TABER, Secretary

EC/ST

**EXHIBIT** (jhh26aad)